

EXHIBIT 12



FORM 10-Q

MOLSON COORS BREWING CO – TAP

Filed: May 05, 2006 (period: March 26, 2006)

Quarterly report which provides a continuing view of a company's financial position

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MOLSON COORS BREWING COMPANY AND SUBSIDIARIES INDEX

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly period ended March 26, 2006

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 1-14829

MOLSON COORS BREWING COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

84-0178360

(I.R.S. Employer
Identification No.)

**1225 17th Street, Denver, Colorado
1555 Notre Dame Street East, Montréal,
Québec, Canada**

(Address of principal executive offices)

**80202
H2L 2R5**
(Zip Code)

**303-279-6565 (Colorado)
514-521-1786 (Québec)**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of April 28, 2006:

Class A Common Stock—1,346,586 shares
Class B Common Stock—63,329,666 shares

Exchangeable shares:

As of April 28, 2006, the following number of exchangeable shares was outstanding for Molson Coors Canada, Inc.:

Class A Exchangeable shares—1,833,219
Class B Exchangeable shares—19,454,691

In addition, the registrant has outstanding one share of special Class A voting stock, through which the holders of Class A exchangeable shares and Class B exchangeable shares of Molson Coors Canada Inc. (a subsidiary of the registrant), respectively, may exercise their voting rights with respect to the registrant. The special Class A and Class B voting stock are entitled to one vote for each of the exchangeable share classes, respectively, excluding shares held by the registrant or its subsidiaries, and generally vote together with the Class A common stock and Class B common stock, respectively, on all matters on which the Class A common stock and Class B common stock are entitled to vote. The trustee holder of the special Class A voting stock and the special Class B voting stock has the right to cast a number of votes equal to the number of then outstanding Class A exchangeable shares and Class B exchangeable shares, respectively.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MOLSON COORS BREWING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	Thirteen Weeks Ended	
	March 26, 2006	March 27, 2005
Sales	\$ 1,543,946	\$ 1,396,036
Excise taxes	(390,100)	(347,601)
Net sales	1,153,846	1,048,435
Cost of goods sold	(726,668)	(689,644)
Gross profit	427,178	358,791
Marketing, general and administrative expenses	(388,858)	(337,370)
Special charges	(26,831)	(40,700)
Operating income (loss)	11,489	(19,279)
Interest expense, net	(31,955)	(19,584)
Other expense, net	(2,241)	(5,006)
Loss from continuing operations before income taxes	(22,707)	(43,869)
Income tax benefit	7,438	15,693
Loss from continuing operations before minority interests	(15,269)	(28,176)
Minority interests in net income of consolidated entities	(3,301)	(2,223)
Loss from continuing operations	(18,570)	(30,399)
Loss from discontinued operations, net of tax	(11,667)	(3,785)
Net loss	\$ (30,237)	\$ (34,184)
Basic and diluted loss per share:		
From continuing operations	\$ (0.22)	\$ (0.48)
From discontinued operations	(0.13)	(0.06)
Basic and diluted net loss per share	\$ (0.35)	\$ (0.54)
Basic and diluted weighted average shares	85,683	63,106

See notes to unaudited condensed consolidated financial statements.

MOLSON COORS BREWING COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

	As of	
	March 26, 2006	December 25, 2005
	(Unaudited)	
Assets:		
Current assets:		
Cash and cash equivalents	\$ 59,289	\$ 39,413
Accounts receivable, net	559,285	699,577
Other receivables, net	120,022	130,123
Inventories:		
Finished, net	137,706	132,611
In process	43,630	35,270
Raw materials	81,837	86,674
Packaging materials, net	71,955	60,170
Total inventories, net	335,128	314,725
Other assets, net	105,935	113,147
Deferred tax asset	18,924	20,127
Discontinued operations	—	151,130
Total current assets	1,198,583	1,468,242
Properties, net	2,298,517	2,305,561
Goodwill	2,852,658	2,871,320
Other intangibles, net	4,405,693	4,423,324
Deferred tax asset	55,118	61,611
Notes receivable, net	69,964	70,964
Other assets	172,795	169,980
Discontinued operations	9,577	428,263
Total assets	\$ 11,062,905	\$ 11,799,265

(Continued)

See notes to unaudited condensed consolidated financial statements.

MOLSON COORS BREWING COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	As of	
	March 26, 2006	December 25, 2005
	(Unaudited)	
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 299,359	\$ 372,324
Accrued expenses and other liabilities	1,008,946	1,151,099
Deferred tax liability	102,041	106,484
Short-term borrowings and current portion of long-term debt	412,167	348,102
Discontinued operations	42,910	258,607
Total current liabilities	1,865,423	2,236,616
Long-term debt	2,131,435	2,136,668
Deferred pension and post-retirement benefits	821,744	841,824
Long-term derivatives	184,429	174,755
Deferred tax liability	598,380	606,126
Other liabilities	84,892	87,564
Discontinued operations	52,397	307,183
Total liabilities	5,738,700	6,390,736
Minority interests	48,164	83,812
Stockholders' equity:		
Capital stock:		
Preferred stock, non-voting, no par value (authorized: 25,000,000 shares; none issued and outstanding)	—	—
Class A common stock, voting, \$0.01 par value (authorized: 500,000,000 shares; issued and outstanding: 1,346,586 shares and 1,344,507 shares at March 26, 2006 and December 25, 2005, respectively)	14	14
Class B common stock, non-voting, \$0.01 par value, (authorized: 500,000,000 shares; issued and outstanding: 62,560,505 shares and 61,751,615 shares at March 26, 2006 and December 25, 2005, respectively)	626	618
Class A exchangeable shares (issued and outstanding: 1,833,549 shares and 1,926,592 shares at March 26, 2006 and December 25, 2005, respectively)	137,974	145,006
Class B exchangeable shares (issued and outstanding: 20,057,484 shares and 20,630,761 at March 26, 2006 and December 25, 2005, respectively)	1,509,325	1,552,483
Total capital stock	1,647,939	1,698,121
Paid-in capital	2,078,033	2,023,838
Unvested restricted stock	—	(7,218)
Retained earnings	1,365,287	1,422,987
Accumulated other comprehensive income	184,782	186,989
Total stockholders' equity	5,276,041	5,324,717
Total liabilities and stockholders' equity	\$ 11,062,905	\$ 11,799,265

(Concluded)

See notes to unaudited condensed consolidated financial statements.

MOLSON COORS BREWING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Thirteen Weeks Ended	
	March 26, 2006	March 27, 2005
Cash flows from operating activities:		
Net loss	\$ (30,237)	\$ (34,184)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	111,224	82,099
Share-based compensation	4,338	6,054
Loss on sale or impairment of properties and intangibles	3,063	5,736
Deferred income taxes	(2,997)	8,363
Equity in net earnings (loss) of unconsolidated affiliates	217	(2,301)
Distributions from unconsolidated affiliates	391	6,411
Minority interest in earnings	3,301	2,223
Change in current assets and liabilities (net of assets acquired and liabilities assumed in a business combination) and other	(112,225)	(170,110)
Discontinued operations	12,550	(1,049)
Net cash used in operating activities	(10,375)	(96,758)
Cash flows from investing activities:		
Additions to properties and intangible assets	(87,115)	(67,717)
Proceeds from sales of properties and intangible assets	853	1,234
Cash recognized on Merger with Molson	---	73,540
Cash expended for Merger-related costs	---	(19,246)
Trade loan repayments from customers	6,109	12,079
Trade loans advanced to customers	(5,610)	(7,284)
Other	---	14
Discontinued operations—proceeds from sale of majority stake in Kaiser, net of costs to sell	63,813	---
Discontinued operations—other	---	3,673
Net cash used in investing activities	(21,950)	(3,707)
Cash flows from financing activities:		
Issuances of stock under equity compensation plans	13,986	45,046
Excess income tax benefits from share-based compensation	60	---
Dividends paid	(27,408)	(27,293)
Dividends paid to minority interest holders	(2,866)	---
Payments on long-term debt and capital lease obligations	(1,098)	(528,211)
Proceeds from short-term borrowings	45,858	893,034
Payments on short-term borrowings	(44,807)	(770,402)
Net proceeds from commercial paper	132,143	141,000
Net (payments on) proceeds from revolving credit facilities	(68,816)	509,448
Change in overdraft balances and other	8,253	(4,631)
Premium paid to bondholders in debt redemption	---	(106,415)
Discontinued operations	(884)	(75,736)
Net cash provided by financing activities	54,421	75,840
Cash and cash equivalents:		
Net increase (decrease) in cash and cash equivalents	22,096	(24,625)
Effect of foreign exchange rate changes on cash and cash equivalents	(2,220)	(4,296)
Balance at beginning of year	39,413	123,013
Balance at end of quarter	\$ 59,289	\$ 94,092

See notes to unaudited condensed consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**Executive Summary**

Our net loss in the first quarter of 2006 was \$30.2 million, or \$0.35 per share, compared to a net loss in the first quarter of 2005 of \$34.2 million, or \$0.54 per share. Net sales in the first quarter of 2006 were \$1,153.8 million on 8.6 million barrels of beer sold, versus \$1,048.4 million on 7.7 million barrels sold in the first quarter of 2005. The significant increases in sales dollars and volume were primarily the result of the Molson Canada business being included for the full first quarter of 2006, versus its inclusion only after February 9 in 2005.

The first quarter 2006 financial results reflected encouraging volume and financial performance in Canada and the U.S., despite extensive competitive price discounting in some of our largest markets and significant input cost inflation. We made good progress on cost reduction initiatives and synergies across the company, which aided financial results in the quarter. At the same time, substantial market challenges in the U.K. reduced the financial performance of our Europe business, and corporate expenses increased significantly. These factors are discussed in further detail below in the Results of Operations section. Our former Brazil segment, which consisted of the Kaiser beer business, was sold on January 13, 2006, and is presented as a discontinued operation.

Special Items in the First Quarter

We recorded special charges totaling \$26.8 million during the first quarter of 2006, including:

- **U.S. Segment**—Special charges of \$21.7 million primarily related to the planned closure of the Memphis brewery in late 2006. The charges consisted mainly of accelerated depreciation and asset write-offs associated with the Memphis assets currently in use but planned for disposal (\$19.6 million). Restructuring and other costs related to employee termination costs and other incremental costs that were a direct result of the planned Memphis plant closure (\$4.5 million). These charges were partially offset by a receipt of a \$2.4 million cash distribution from bankruptcy proceedings of a former insurance carrier for a claim related to our environmental obligations at the Lowry Superfund site in Denver, Colorado which had previously been recorded as a special charge.

- **Europe Segment**—Special charges totaling approximately \$7.8 million related primarily to a supply chain restructuring program aimed at reducing overhead costs in the production processes, with additional costs related to exiting the Russia market.

- **Corporate**—A \$2.7 million credit attributable to changes in the non-cash cost of providing a stock price floor under the options for certain Coors officers who left under a change-of-control provision following the Merger.

Synergies Update

During 2005, we captured \$59 million in Merger-related cost synergies, surpassing our 2005 goal of \$50 million. Our 2006 goal calls for an incremental \$50 million in synergies, with total annual synergies eventually reaching \$175 million, which are expected to be achieved by the third year following completion of the Merger. We realized approximately \$15 million of incremental synergies during the first quarter of 2006. As a result of the work performed by our synergy and operating teams during the first year following the Merger, we now anticipate capturing \$75 million in additional cost-reduction opportunities by the end of 2008, above and beyond the original \$175 million year-three synergies target.